

1.941

P4 W35

Oct. 19, 1943.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

PROBLEMS TO BE SOLVED IN DISTRIBUTING 1944 PRODUCTION

Address by Frederick V. Waugh, Chief, Program Analysis and Appraisal Branch, FDA, at the 21st Annual Agricultural Outlook Conference, October 19, 1943.

American agriculture and the Government have been faced with many new and difficult problems as a result of the war. The biggest of the new problems has been that of supplying the foods needed by our military forces, by our colonies and possessions, and by our Allies. This has meant supplying a huge new demand. It has meant setting up new Government machinery for procurement, storage, and distribution. In 1941 these war programs took 6 percent of our food supply; in 1942 they took 14 percent; and this year they will take approximately 26 percent.

Although this was an entirely new problem it seems fair to say that it is now being handled very well. The Food Distribution Administration is supplying food for 46 different programs. The needs for each program are being carefully worked out and the program is carefully planned to meet known requirements. At the present time we are supplying all 46 programs with all the foods that had been promised. The procurement policies of the War Food Administration and the military forces have been well coordinated, and in general the whole machinery of Government procurement and distribution is functioning smoothly and well.

These are important war programs. The food we are sending to Russia and Great Britain is contributing substantially to military victory by the United Nations. In a similar way it is urgent that we continue to make food supplies available to Puerto Rico, Alaska, and Hawaii.

Looking ahead, the main unknown factor in this situation is the quantity of food that will be required for relief feeding in reoccupied countries. It would take an enormous quantity of food to supply all the needs of people in Europe and in other parts of the world during the rehabilitation period after the war. It is clear by now that the United States cannot feed the whole world--nor does it need to do so. But we doubtless shall be called upon to provide a substantial quantity for relief. It probably is not possible to forecast very definitely the quantities that may be needed. This will depend to a great extent upon the rate of military progress. In any case, the machinery that has been set up for Government procurement and distribution of food doubtless can be used to advantage in supplying whatever foods are to be made available for food relief abroad.

Although we have handled the problem of Government procurement and distribution for food efficiently, we still have many problems to meet in supplying our own consumers. Several of these domestic distribution problems will be touched upon briefly.

Physical Marketing Facilities

In a number of cases it has been necessary to provide new or improved processing plants to manufacture special kinds of foods needed in the war programs. On the whole, however, it seems clear now that we have about enough over-all processing capacity to handle the foods we need. In fact, we have always had a number of processing plants that were only partly used, and for that reason were not very efficient. As we step up our production our real problem is to use existing processing plants more efficiently. One way of doing this is to gear in our agricultural production goals program more closely with our marketing program. We should avoid scattered production of small lots of food in areas where no processing plants exist and should concentrate the increased production around places where we know the processing plants can handle it. In some instances we do need to supplement the machinery for assembly in such a way that the scattered production around processing plants can be brought together more effectively. The so-called 10-case egg program, begun in 1942 in the Southeast, is an example of what may be done in this direction.

Transportation facilities have been severely taxed. For many months water transportation has been tight both on the ocean and on inland waterways. It is now easing up considerably. On the other hand, agriculture and the food industries are faced with an increasing shortage of motortrucks. Recent estimates indicate that motortrucks are being liquidated at the rate of about 1 percent a month. There have been few replacements. There may be some replacements in 1944, but they are likely to be much less than needed.

This means that we shall have to try to continue to shift some of the food transportation from trucks to railroads. But very little further shift appears to be possible. The railroads are already taxed at least almost to capacity. Even if the railroads can get new equipment, which they badly need, we cannot expect them to continue to absorb very much more of the traffic which normally would be carried by trucks. This is one of the most serious marketing and distribution problems growing out of the war.

There is also a shortage of good cold-storage facilities in the places where they are most needed. It has been necessary to regulate the use of cold storage in order that the available space may be reserved for the most essential purposes.

Functions of Distribution in Wartime

In time of war, as in time of peace, we must be concerned with distribution in several senses. These include, for example, (1) geographical distribution to prevent local shortages and surpluses; (2) distribution among different forms of a product (for example, to get the proper proportion of grapes used as raisins, wine, and fresh grapes); (3) distribution through time by adjusting the flow in and out of storage, and the final division of the foods to individual families. In wartime these functions become much more difficult than in peacetime. Shortages of manpower, transportation, and critical materials interfere with the normal functioning of the market. All kinds of price regulations, including price supports and price ceilings, tend to disrupt the normal flow.

We must take prompt steps to meet these problems as quickly and as effectively as possible. To some extent they can be met through more complete and accurate information. To some extent they can be met by voluntary cooperation on the part of farmers and trade groups. In many cases, however, it has also been necessary to develop specific food orders and regulations of many kinds. The prospect is that such orders and regulations will continue and probably will increase as long as the war lasts. So far, the major emphasis of the food orders has been to assure the Government of the food needed for military and lend-lease programs. More attention probably will have to be given to orders which improve the domestic distribution of foods.

An important part of this program obviously is that of rationing to individual families. The purpose of rationing, of course, is to divide existing supplies fairly among individual families. Probably we should make many other improvements in our rationing technique to adjust the rations more closely to the needs of individual families. For example, the present rationing system probably does not make enough allowances for the differences in needs as between urban and rural families nor for the needs of children as compared with adults. Neither have we given enough consideration to the special needs of low-income families. Although there may be few able-bodied unemployed persons in the United States now, there are still several important groups of people who need help if they are to get the kind of diet that is needed to satisfy minimum nutritional needs.

This problem will not be taken care of by rationing alone, but will require also some form of Government assistance to enable all groups of people to obtain a fair quantity of the most necessary foods. It is well to note here that although our average per capita consumption of foods in the United States is high, there is extreme variation in consumption, with many families getting more than they need and with many other families existing on diets that are definitely below the minimums approved by competent nutritionists.

Adjustments in Consumption

In normal times consumption is adjusted fairly equally in response to price changes. When there is a big crop of peaches, the price goes down until consumers will take them off the market. When there is a shortage of milk the price goes up and consumption is decreased. One of the dangers of wartime food regulations is that by freezing prices we shall prevent desirable and quick adjustments in consumption.

Although we are getting away from chronic so-called surpluses, it has been necessary for the Government to support the price of several foods during the past year. This was an indication that the domestic market would not consume the available supplies at satisfactory prices. We certainly want to avoid any waste during the war, and if we are to prevent the waste of perishable foods we must find a way of stepping up consumption whenever good weather or similar conditions give us a good crop. The program of Victory Food Specials may be one of the best approaches to this, and possibly we could also use this program in reverse to discourage the consumption of foods that are scarce.

In the present onion situation, for instance, it might be possible to put on a campaign to persuade consumers to buy onions only in small lots for seasoning purposes rather than buying large lots to use as a vegetable.

Black Markets and Hoarding

Wartime regulation of prices, consumption, and methods of trading will work only if there is a reasonable degree of compliance on the part of farmers, dealers, and consumers. The extent of known compliance is very difficult to determine accurately. We all know that compliance is far from perfect. In a State meeting of farmers and farm representatives recently I was told that 90 percent of the broilers in that State were being sold on the black market. This was condoned on the ground that poultrymen were forced to buy feed on the black market and could not afford to sell their poultry at established prices. This is probably an extreme case, but situations of this kind illustrate the possibility of a breakdown of our whole system of war controls on food unless we can find some way of obtaining general compliance.

Stricter policing and enforcement may be needed in many cases, but probably the fundamental cure for this situation is, first, to make sure that the regulations are as sound and as simple as possible, and, second, that farmers, dealers, and consumers understand what the regulations are and the reasons for them. The final consumer can do a great deal to bring about better compliance by living within his ration allowances, and by refusing to pay more than ceiling prices. The home economists might well take an active part in an educational program to bring this about.

Waste and Spoilage

We have always wasted a great deal of food in this country. Substantial quantities of food are wasted on the farm, in the wholesale and retail markets, and in the homes of consumers. Recent estimates have placed the total waste of food between 20 percent and 30 percent. This is a very substantial loss, particularly when we need more food for war purposes.

It would not be possible to eliminate all waste and spoilage of food. We could not possibly prevent rats from eating some of the corn, nor could we prevent some of the apples from rotting. Nevertheless, we need to give much more serious attention to eliminating all avoidable wastes of food. Recent educational campaigns have doubtless been of considerable value in pointing out ways to save food in the homes. Yet substantial quantities of good food are still thrown into the garbage pails, and food products are wasted on the farms and in the marketing system by careless handling. We know from the experience of the past 2 or 3 years that it is very difficult to increase agricultural production by 5 or 10 percent. We probably are approaching the practicable limit of output on the farm. Yet we might be able to increase our effective supply of food 5 or 10 percent more by a vigorous campaign to eliminate waste all along the line from the farmer to the consumer's table.

Industrial Relations

It would be possible to go about the job of food management either through a compulsory program or through a cooperative program. Although it has been necessary to adopt many compulsory regulations and orders we have made considerable progress in developing active cooperation with various trade groups. The industry advisory committees are consulted frequently and are giving the Government the benefit of their suggestions based on years of practical experience. These committees and trade groups of various kinds, in addition to giving advice, are taking an increasingly active hand in helping to bring about a better understanding of war food management problems on the part of trade groups.

Perhaps it may be possible through such cooperative trade groups to make more progress than we have made so far in developing programs to accomplish greater economies in distribution. As yet the Government orders and regulations have not attempted to bring about many fundamental changes for the purpose of reducing costs of marketing and distribution. Although some of the food orders, like the bread order and the milk economy order, have eliminated some rather expensive frills in the marketing system.

Marketing studies for the last several years have shown a great deal of duplication and overlapping in the distribution system. Many of these studies have pointed the way to possible economies, including possible savings in manpower and transportation and in materials. Now that labor, transportation, and many materials are scarce there is clearly a need for some concrete program to promote greater efficiency in food distribution. Probably we would have made more progress in this direction except for the fact that many people in industry feared that some "reformers" might try to make drastic and permanent changes in the whole structure of marketing. We certainly should not use the war as an excuse for bringing about radical changes in our American institutions, but it is still quite possible that Government agencies, cooperating closely with trade groups, can find practical ways of bringing about greater efficiency and that this can be done by methods that will save labor, transportation, and critical materials and that will preserve intact the fundamentals of private initiative and fair competition.

MEMORANDUM

TO : [illegible]
FROM : [illegible]
SUBJECT : [illegible]
[illegible text block]

[illegible text block]

[illegible text block]